

OIE Reports EU's CBAM Measures Enforcement on October 1, 2023, Advising Thai Business Operators to Adjust, Expand Export Markets, and Adopt the BCG Model

The Office of Industrial Economics (OIE) discussed the impact of the Carbon Border Adjustment Mechanism (CBAM) regulation on the plastic, iron, and aluminum industries when exporting products to the European Union. They emphasized that this presents an opportunity for Thai business operators to make necessary adjustments prior to the regulation's implementation on October 1, 2023. The OIE also recommended expanding export markets to enhance competitiveness against competitors who may struggle to adapt to the new requirements. Furthermore, they encouraged supporting other countries that are likely to introduce similar measures in the future.

The Director General of the Office of Industrial Economics (OIE), Mrs. Warawan Chitaroon, revealed that the European Union's Carbon Border Adjustment Mechanism (CBAM), which is one of the measures under the EU's Green Reform Plan to prevent carbon leakage and reduce disparity in competition from foreign manufacturers with less concentrated emission measures than the EU. The measure will take full effect on October 1, 2023. The measures are expected to affect industries at high risk of carbon leakage in manufacturing, including iron and steel, aluminum, cement, fertilizers, plastics, and hydrogen. Thai products at risk and will be affected by this measure include three industries: plastic, iron, and aluminum. In 2022 (January - December), the plastics industry reached a total export value of 676 million USD, accounting for 2.4 percent, steel reached 201 million USD, accounting for 0.7 percent, and aluminum reached 111 million USD, accounting for 0.4 percent of the value of goods sent to the EU.

In addition to the European Union, the United States is also considering a Clean Competition Act (CCA) bill to set the carbon price of products that emit greenhouse gases produced locally and on imported products. The CBAM will be effective on January 1, 2026. Products with a high risk of carbon leakage that Thailand exports to the United States are in two main industries: plastics and aluminum. In 2022 (January-December), plastics had a total export value of 1,245 million USD, accounting for 2.1 percent, and aluminum, valued at 884 million USD, accounting for 1.5 percent of goods sent to the US.

Therefore, Thailand will be directly affected by the CBAM measures. Even though the current European Union market and the United States are not yet Thailand's key export markets for the products mentioned above that are at high risk of carbon emissions, the OIE recommends that Thai business operators that export such products to the EU market and the United States, to maintain their existing customer base, whereby reporting carbon emissions in the production process according to CBAM measures. It also advised preparations for increased production costs from planning improvements or changes, paying carbon tax fines, or buying a CBAM Certificate,

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as well as developing a production system to reduce carbon dioxide emissions to a minimum, developing the whole production chain from the raw material, semi-finished products, to finished products, and incorporating environmentally friendly transportation.

"Thailand places importance on environmentally friendly production according to the Circular and Green Economy Model (BCG). If business operators can develop processes, production, and services to be more environmentally friendly and reduce carbon dioxide emissions into the atmosphere, it is a drive towards sustainable production that is environmentally friendly. Business operators will have opportunities to expand their markets and increase their competitiveness over exporters from other countries that cannot adapt to the CBAM measure in time. It will also be beneficial in preparing for the adjustment to support the implementation of the CBAM measure in other countries that are likely to be enforced in the future, such as China, Japan, Singapore, and South Korea," said Mrs. Warawan.

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